CDH Investments (鼎晖投资) (one of the largest China-focused Private Equity Firms) subscribes for US$110 million Convertible Bonds, and will own 28.2%¹ of Sunpower, assuming full conversion at S$0.50 Conversion Price

Singapore, 14 December 2016 – Mainboard-listed Sunpower Group Ltd. (“中圣集团”, “Sunpower” or “the Group”) is a one-stop solution provider for environmental protection, energy saving and recovery projects in China. Established in 1997, Sunpower has 20 years of proven track record and capabilities, proprietary technologies and know-hows and more than 120 registered patents. Today, it announces that Glory Sky Vision Limited (ultimately owned by CDH Fund V, L.P., one of the largest and most experienced China-focused private equity and alternative asset management firms with approximately US$19 billion assets under management) has entered a purchase agreement with Sunpower to subscribe for US$110 million convertible bonds, and will own 28.2% of Sunpower on a fully-diluted basis, assuming full conversion at an initial conversion price of S$0.50. The conversion price of S$0.50 works out to be a trailing price-earnings ratio of 21.8² times, and a premium of 17.1%, 10.5% and 1.6% to the past 6 months, 3 months and 1 month volume-weighted average price prior to the convertible bond announcement. The proceeds from the issue of the convertible bonds will be used for its expansion of green investment related business, including by way of Build-Operate-Transfer (BOT), Build-Own-Operate (BOO) and/or Transfer-Operate-Transfer (TOT) projects, which will generate both growth income and recurring income for the Group.

China faces serious smog and hazardous air quality with dangerous and cancer-linked pollutants such as PM2.5, carbon dioxide, nitrogen, sulphur oxide, phosphorus. One of the key causes is the high carbon emission by the industrial sector as a result of extensive and inefficient use of small coal-fired boilers³. The Chinese government has adopted various strategies to deal with severe environmental threats which include (a) smog governance (雾霾治理) whereby government directives have been issued to various cities in China to require the closure of small coal-fired boilers with hourly production of 35 tonnes or less by the end of 2017 or such stipulated timeframe⁴ so as to reduce carbon emissions and improve air quality. Sunpower estimates the market size for replacement of obsolete coal-fired boilers through highly-efficient centralised steam and electricity to be S$108 billion; (b) circular

¹ On a fully-diluted basis.
² This is calculated based on income attributable to equity holders of Sunpower of approximately RMB124.8 million for the period between 1 October 2015 and 30 September 2016 (exchange rate of RMB4.89: S$1), and fully-diluted number of shares of approximately 1.1 billion shares, taking into account existing of approximately 737.7 million shares and assuming the conversion of the convertible bond of approximately 313.4 million shares at an initial conversion price of S$0.50, and the employee share options of approximately 59.2 million shares.
³ Source : Implementation of Coal Fired Boiler’s Energy Saving and Environmental Protection Scheme issued by the National Development and Reform Commission (NDRC) of the PRC (2014)
⁴ Source : Clean and Efficient Use of Coal Action Plan (2015-2020) issued by the National Energy Administration (NEA) of the PRC
economy (循环经济), a sustainable strategy based on the concept of reduce, reuse and recycle. As an illustration, treated wastewater within an industrial park may be reused to generate steam so as to reduce the need for fresh water, or sludge generated within an industrial park may be combine with coal to use as feedstock in generating steam and electricity and reduce the quantity of coal needed; and (c) energy conservation and emissions reduction (节能减排). As an illustration, the use of waste heat reuse system which may reduce the quantity of coal needed in producing steam and electricity.

Given the vast market opportunities in environmental protection sector, Sunpower has been aggressively pursuing the BOT, TOT and BOO of green investments related projects. Sunpower’s capabilities include (a) engineering, procurement and construction (EPC) with 20 years of proven track record; (b) achieving emission lower than the PRC’s national emission standard and could meet specific local authority’s requirement. Usually, Sunpower utilises its system aims to achieve higher combustion efficiency than the traditional crushed coal combustion efficiency of 60% to 70%; and (c) proprietary heat insulation technology which allows Sunpower to supply steam to industrial plants over long distance up to 30km radius, and yet minimising steam temperature loss to merely 3 to 5 degree celsius per km and 0.02 to 0.03 Mpa per km (unlike typical steam transfer systems which will result in 15 degree celsius temperature loss per km and 0.06 to 0.1 Mpa per km are not viable for long distance transfer).

Sunpower has procured 3 centralised steam and electricity facilities in 2015 and 2016, namely, in Gaoyang Circular Economy Industrial Park located in Hebei Province, Lianshui Economic Development Zone located in Jiangsu Province, and Anhui Quanjiao Economic Development Zone located in Anhui Province, and is currently in the midst of constructing these facilities. On completion, these facilities will be operating with low-emission and high efficient use of coal, and will supply steam to industrial plants within the industrial park through long distance heat insulated steam distribution pipelines which utilises Sunpower’s proprietary heat transfer technology. They will generate recurring income for the Group over the concession period.

Mr. Guo Hongxin, Chairman of the Sunpower comments, “Smog pollution is a severe problem in China. Our government recognises this and strongly promote the environmental protection sector. Sunpower has the technological capability, expertise and proven EPC track record to deliver environmental protection solutions urgently needed and ride the growth in the fast-growing and sizable environmental protection sector. We are committed to drive the growth of our Group and bring value to our Shareholders. We warmly welcome CDH, which has in-depth knowledge of China, to be our partner and achieve our corporate strategies and goals together.”

Stirling Coleman Capital Limited is the Arranger for the transaction.

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5 Source: Circular Economy Strategy and Plans issued by the State Council of the PRC (2013)
About Sunpower Group Limited

PRC-based Sunpower Group Ltd. is a one-stop solution provider for energy conservation, waste-to-energy and renewable energy projects which specialise in the design, R&D and manufacture of energy conservation products in China. Its main businesses include environmental equipment manufacturing, EPC Integrated Solutions (flare-gas recovery system, Zero Liquid Discharge (“ZLD”) system, photovoltaic power generation and petrochemical engineering) and Green investments with Build-Operate-Transfer (“BOT”)/Transfer-Operate-Transfer (“TOT”)(Build-Operate-Own (“BOO”) models (centralized steam and electricity). Sunpower has a strong customer base which includes well-known international customers such as BASF, BP, Shell, SABIC, Dow Chemical, Alcoa and Mobil, and Chinese conglomerates such as China Petrochemical Corporation (“Sinopec”), China National Petroleum Corporation (“CNPC”), China National Offshore Oil Corporation (“CNOOC”) and China Shenhua.

For more information, please refer to: http://sunpower.com.cn

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